



Butterfly World, Inc.

A Business Plan Created By

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Your instructor may ask that you review certain sections and suggest improvements, modifications or additions. The purpose of each individual business plan may be different, with varied intended readers. You may also be asked to discuss what information might need to be included or deleted based on the purpose of the plan

Table of Contents

<u>Section</u>	<u>Page</u>
Section I. Executive Summary	3
Section II. Mission, Goals and Objectives	5
Section III. Background Information	7
Section IV. Organizational Matters	9
A. Business Structure, Management and Personnel	
B. Operating Controls	
Section V. The Marketing Plan	13
A. The Products / Services	
B. The Market Analysis	
C. Marketing Strategies	
Section VI. The Financial Plan	20
A. Financial Worksheets	
B. Cash Flow Projections and Assumptions	
C. Financial Statements	
D. Additional Financial Information	
Appendix Information	39
Resumes of Primary Owners	
Land and Building Layouts	
Supplier Information	
Personal Financial Information	

Section I. Executive Summary

Butterfly World, Inc. is an independently owned business that provides expertise and quality service in supplying butterflies and moths. It will be a dependable supply source for a variety of customers in the luxury, ecology, research and collection markets.

The business consists of raising and selling lepidoptera (butterflies and moths) to several markets. Initially the marketing will be directed toward the luxury markets of families in the income levels of \$100,000 or greater. A new trend in upscale weddings on the east and west coasts is to release live butterflies as a part of the marriage ceremony. Fortunately, suppliers of butterfly stock are hard to find. These markets are in place and currently lepidoptera from other producers to this market are sold out through the year 2000. The release of butterflies at a wedding is a luxury item. Because of this, we intend to focus our primary sales on the luxury wedding market.

The business of raising insects for retail started about 50 years ago primarily for biological control purposes. Originally insects were captured in the wild and transported to another area. Gradually this practice evolved into raising insects in captivity for release purposes. Today you can find insects such as praying mantis and ladybugs in many garden magazines for the purpose of pest control in gardens. The raising of butterflies specifically has developed in the last 20 years due to restrictions on capturing them in the wild.

Butterfly World, Inc. is in the development stage. When fully developed the business will serve as a retail business functioning in the form of a C-Corporation business structure. The shares are equally owned by Doris Dereemer and Cori Lakes and managed by the owners on a full-time basis. It is the intent of the owners to become known as the experts in raising butterflies. In addition, Butterfly World, Inc. is to become a model business for the purpose of encouraging alternative occupations in rural communities.

Doris has experience as an independent business owner of The Wood Place and the Gifties, Inc., currently serves on a board of directors of North Wood Co., Inc. and has knowledge of economic development. Doris also served for six years as the Administrative Associate for Business Affairs of Eastern University. Cori's science education and laboratory experience equip her to manage the controlled environment of the business. Her expertise in plant production and genetic management will be the driving force behind the insect production. Cori has excellent experience in research in science lab facilities at Eastern University as well as extensive genetic studies at the University of the East.

An advantage Butterfly World, Inc. has over competitors is the expertise of the owners. The science of raising butterflies is a developing science and generally the individuals

producing monarchs have no specific training in scientific method. We have the advantage of understanding plant production, sterile methods, disease control, and controlled environments as well as business expertise regarding management and expansion of small business.

The primary product of Butterfly World, Inc. is living monarch butterflies. These butterflies are a natural species that are grown disease-free without contact with wild specimens or any contaminated species. They are produced in a controlled environment under optimal conditions as far as temperature, food sources and humidity. These conditions result in fully developed mature butterflies without damage to their appearance. Their colors are true and vibrant. Because of the conditions under which they are raised, the butterflies will be active and willing to fly about with grace and beauty. The monarch butterflies grown at Butterfly World, Inc. will be readily available and equal to or better than any monarch butterfly now on the market. Products will be priced according to what the market will support and production requires. As this is a luxury market product, the expectation is to be able to operate at 300% to 500% above the cost of production. The price of monarch butterflies will be high; approximately \$100 per dozen. This price fits within the market currently.

Raising butterflies for weddings is, no doubt, a fad. I expect the fad to last at least another ten years, which is about standard in the U.S. for most trends. This time period will provide Butterfly World, Inc. with the time necessary to become well established in other markets such as ecology, collections and education.

The customer base we will supply is the luxury wedding market with incomes that are equal to or greater than \$100,000 annually. The market characteristics include the age group of 35 to 54 years of age, Euro-American professionals that live in the suburbs and have college education. These individuals are married and live in families units of 3-4. This market group looks for quality and uniqueness in product when they buy. Generally these individuals will be the parents of the brides, therefore, advertising would be directed toward those demographics with daughters between the ages of 18 and 25. The geographic trade territory of Butterfly World, Inc. is the Midwest, East and South Census Divisions of the United States. The region includes all 37 states east of the Rocky Mountains. Initially we will market through the brokerage of Heartland Butterfly Farm in Theirstate at a fee of 15%. They have assured us of extensive product demand.

Butterfly World, Inc. is in the development stage. Therefore, we require \$150,000 for building construction, \$25,000 for startup expense, \$50,000 for office and solarium equipment and \$60,000 for operating funds for the first five years. \$15,000 is available as cash from the owners as well as ownership of the land to build on, computer equipment and vehicles for a total owner contribution of \$55,500. Another supporter is putting in \$75,000. Therefore, we are seeking funds for the building construction (\$150,000) and operations (\$45,000). The funds will be paid back on monthly scheduled payments. It appears that we should be able to pay off all loan amounts (including the deposits for the Angel) except for the long-term Building loan within 3-4 years of operation.

Section II. Mission, Goals and Objectives

General Description of the Business

Butterfly World, Inc. is in the development stage. When fully developed the business will serve as a retail business functioning in the form of a C-Corporation business structure. The shares are equally owned by Doris Dereemer and Cori Lakes and managed by the owners on a full-time basis. It is the intent of the owners to become known as the experts in raising butterflies. In addition, Butterfly World, Inc. is to become a model business for the purpose of encouraging alternative occupations in rural communities.

The business consists of raising and selling lepidoptera (butterflies and moths) to several markets. Initially the marketing will be directed toward the luxury markets of families in the income levels of \$100,000 or greater. A new trend in upscale weddings on the east and west coasts is to release live butterflies as a part of the marriage ceremony. These markets are in place and currently lepidoptera from other producers to this market are sold out through the year 1999.

By 2001, Butterfly World, Inc. will expand to include ecology, research and collection markets. The ecology market will include the raising of insects (mainly butterflies) for the purpose of reintroduction of endangered species in the wild. Research markets will include testing of plant populations to support specific types of lepidoptera for raising in a controlled environment. These insects again will be studied for endangered species projects. The collection markets are extensive, spanning private collections to the formal science collections that are mounted and used in the classroom for education. This expansion will be possible by adding varieties of insects and adding to the customer list.

The insects will be raised in a controlled environment allowing for year-around production. This facility will be built in the spring of 1998. The unit will include a shipping and receiving area, potting room, office, and science laboratory as well as the solarium for raising the insects. The business is located in Eastville, Ourstate.

Mission Statement

Butterfly World, Inc. is an independently owned business that provides expertise and quality service in supplying butterflies and moths resulting in a dependable supply source for a variety of customers in the luxury, ecology, research and collection markets.

Goals and Objectives

Goal 1: Obtain funding to develop Butterfly World, Inc. by December, 1997.

Objectives:

- ~ Prepare business plan
- ~ Obtain list of funding agencies
- ~ Determine which agencies to approach
- ~ Negotiate funding
- ~ Review timetable when funds are received
- ~ Obtain contract or letter of agreement from insect broker

Goal 2: Build the greenhouse and office facility, completed by December 1998.

Objectives:

- ~ Doris will function as primary construction contractor
- ~ Prepare blueprints, heating, electrical and plumbing schedules by March, 1998
- ~ Prepare subcontracted work schedules and hire subcontractors by April, 1998
- ~ Check building and regulation codes by April, 1998
- ~ Set time schedule for all masonry work to be completed prior to ground freeze
- ~ Complete building

Goal 3: Begin greenhouse planting, promotion, sales, customer list compilation by June, 1999.

Objectives:

- ~ Plant to provide environment for insects beginning in January, 1999
- ~ Become knowledgeable regarding inter- and intra-state shipping regulations of live insects and obtain any licenses necessary by March, 1999
- ~ Contract with graphics artist to prepare promotional material by March, 1999
- ~ Order initial stock of insects by April, 1999
- ~ Begin breeding and production process by June, 1999
- ~ Landscape grounds during summer 1999

Goal 4: Refine production planning, shipping and receiving process.

Objectives:

- ~ Review production process continuously between April, 1999 and September, 1999 to refine production timetables, etc.
- ~ Increase production continuously to produce \$200,000 worth of product by April, 2000.
- ~ Increase gross sales steadily by 30% each year through 2003 yielding \$500,000 gross sales

Goal 5: Expand service and product offering.

Objectives:

- ~ Add new product lines such as moths used for pollination purposes during 2001, 2002, and 2003. Cori is responsible for species introduction.
- ~ Expand market to include sale of deceased stock butterflies to collection services during 2000
- ~ Locate scientific centers and obtain contracts for reintroduction of rare species in the wild by 2001
- ~ Add training seminars for other breeders by 2003

Section III. Background Information

The Industry

Background Industry Information

The business of raising insects for retail started about 50 years ago primarily for biological control purposes. Originally insects were captured in the wild and transported to another area. Gradually this practice evolved into raising insects in captivity for release purposes. Today you can find insects such as praying mantis and ladybugs in many garden magazines for the purpose of pest control in gardens.

The Lepidopterists' Society which focuses on butterflies was founded by Charles L. Remington and Harry K. Clench when they were both students in Cambridge, Massachusetts. In March 1947, they contacted other enthusiasts and established the society for the purpose of distributing a periodical on Lepidoptera and facilitating the exchange of specimens and ideas by both the professional worker and the interested amateurs in the field. There are now approximately 1,600 members in over 60 countries (the majority being from all 50 United States and 10 Canadian provinces). The Lepidopterists Society embraces a wide range of interests and viewpoints concerning the study of moths and butterflies. This organization will be a good source of information in the future.

A developing industry is the business of housing of butterflies for tourist observation. Newspapers and magazines are constantly running stories about the newest Butterfly Houses that have just opened. New York has six new ones; Texas, Ohio, California, Florida and many other states, plus Canada, Costa Rica, Mexico and other countries are rapidly adding more. Butterfly Conservatories are drawing tourists from around the world. Fortunately, suppliers of butterfly stock are hard to find. In addition, the freedom to capture butterflies in the wild is being limited by conservation programs. This has created a lucrative business opportunity for individuals with expertise.

A big trend in weddings today is the release of butterflies after the ceremony. It does seem appropriate at a wedding to make a wish on the wings of a butterfly, release it and watch as the wish is winged toward heaven. It is more ecologically sound than throwing rice or bird seed or releasing balloons. Bob Smith, a butterfly broker, of the Heartland Butterfly Farm in Theirstate tells us, "For centuries, people threw rice at newlyweds with a nary a qualm. But in the 1980's problems surfaced. Birds try to eat the rice and it can block their digestive tract. Then balloons came into favor. But they can drift out over the ocean and choke turtles and whales," Smith adds. Nobody, however, has ever choked on a butterfly, so now, during bridal season, Smith does a thriving business selling them – at \$100 a dozen – merely so wedding guests can release them." (People magazine, July 22, 1998: pg. 58).

Doris was recently given the following advice by Bob Smith of Heartland Butterfly Farm in Theirstate. “If you decide to raise and sell butterflies, be prepared to be sold out at least a year in advance, every year. Not only will you profit from your choice of business careers, but you will spread joy and happiness. Schools, nature stores, and species reintroduction programs are desperately searching for sources of livestock. They are coming up empty-handed because the resources are not there. Unless you plan to be a very large producer, we recommend that you not contact bridal stores because the demand for your product will overwhelm you.”

Current and Future Trends

The current trend of releasing butterflies at weddings is growing. The number of butterflies released at a wedding runs from one dozen to several hundred. Average orders are about five dozen. In addition, the release of butterflies at funerals in oriental cultures is a practice. Recently producers have been getting orders for butterflies to release at spiritual ceremonies. Heartland had 50 orders last year for Easter release.

The release of butterflies at a wedding is a luxury item. Because of this, we intend to focus our sales on the luxury wedding market. According to American Demographic data the dollars spent for luxury items is growing by 40% a year!

Business “Fit” in the Industry

Butterfly World, Inc. will be launched as a new business in the spring of 1998 and will specialize in the production and sale of lepidoptera (butterflies and moths). Initially butterflies will be sold on a wholesale basis to a butterfly broker (Heartland Butterfly Farm in Theirstate) for distribution to the luxury market for use in weddings. We plan to sell directly to this same market on a retail basis as we build a customer prospect list.

Producers in this industry range from the very small “hobbyists” to some science research labs which produce thousands of butterflies per year. Butterfly World, Inc., with proposed production of 1,000 to 3,000 butterflies in a month, would be considered a medium-sized producer.

We will begin by raising monarch butterflies and expand into other species and other markets as we establish our professional reputation and expand our contacts. These other markets may include the ecology market for reintroduction of endangered species in the wild and/or the collectors market selling to firms which produce scientific displays used for educational purposes. We plan to grow at a rate of at least 20% a year to take advantage of these additional markets.

Section IV. Organizational Matters

A. Business Structure, Management and Personnel

Business Structure

Butterfly World, Inc. will be organized as a C-Corporation following accounting and legal service advise. We have chosen this business structure in order to protect other resources, be eligible for financing, tax benefits, perpetual existence of the business and ease of transfer of stocks in the future. The business is equally owned by Cori Lakes and Doris Dereemer with each retaining 50% of the stock shares. Final business decisions will be made by Doris and final science related decisions will be made by Cori if it is necessary for one to decide without consensus.

Management

The management team of Butterfly World, Inc. (Inc.) will consist primarily of Doris Dereemer and Cori Lakes. Doris Dereemer is the Chief Executive Office and serves as business manager because of education and prior experience in business related activities. Doris has experience as an independent business owner of The Wood Place and the Gifties, Inc., currently serves on a board of directors of North Wood Co., Inc. and has knowledge of economic development. Doris also served for six years as the Administrative Associate for Business Affairs of Eastern University. (See resume in Appendix A.) Cori Lakes is the Assistant Executive Officer and serves as the science officer for this business. Cori's science education and laboratory experience equip her to manage the controlled environment of the business. Her expertise in plant production and genetic management will be the driving force behind the laboratory work and insect production. Cori has excellent experience in research in science lab facilities at Eastern University as well as extensive genetic studies at the University of the East. (See resume in Appendix A.)

Outside assistance will include Tom James from James Legal Services for legal services, Hank Anson from Community First Bank of Eastville for banking and financial services, Bob Mayes from Dannette Coleby for accounting services and Gail Armor from American Family Insurance for insurance services. Each of these individuals will be contracted on an "as needed" basis. All of these individuals and institutions were selected because of prior experience working with them. The trust levels have been established with these individuals.

Personnel

All maintenance services will be contracted through Tom North of North Wood Company, Inc. Custodial services will be contracted through Lucy Clure. She has been contracted previously and we have satisfaction with the quality of her work.

The laboratory assistant will be a part time position and the individual to fill this position has been identified and recruited. She has prior experience working in a medical laboratory environment and is interested in the greenhouse work. She is part owner of a privately owned cattle production business and a Master Gardener. These attributes give her experience with plant production and management.

Office assistants will be hired as needed from a pool of students in the local high school. Although these will be paid positions, this will be handled as a community service for opportunity and experience for the youth in the community.

All training will begin in-house with Doris handling the office needs training and Cori handling the science needs training. Each new hire will be working side by side with their supervisor for at least the first 60 days of employment. Following that period of time, specific training will be identified and a source for that training will be located using consultants and educational institutions.

Outside Services

An Advisory Board will not be used at the startup of this business as we have a private mentor that will assist us as much as we need. He has extensive business experience in small business ownership and management. He is interested in community building and offers his services free of charge.

Risk Management

<u>Type of Insurance</u>	<u>Company</u>	<u>Amount</u>	<u>Annual fee</u>
Term life insurance on Cori	American Family Insurance	250,000	232.60
Term life insurance on Doris	American Family Insurance	250,000	882.50
Liability	American Family Insurance	1,000,000	317.00
Building & equipment	Federal Insurance	250,000	2,500.00
Automobile Insurance	American Family Insurance		2,904.00
Worker's Compensation			600.00

(Do not plan to insure plants or butterflies because of short down time; however, will include insurance for all equipment within the building).

B. Operating Controls

Record Keeping Functions

The record keeping for Butterfly World, Inc. will be divided according to the type of records being kept. The business records will be kept by Doris Dereemer and the laboratory production records will be kept by Cori Lakes. Both systems will be maintained on computers using tape backups and printouts as needed. Both Doris and Cori will be thoroughly trained in each system to provide assistance and backup for each area.

Daily business transactions such as sales and payments will be posted daily. Weekly an aging schedule will be prepared, any delinquent accounts will be reviewed, a bank deposit made, invoices paid to avoid missing cash discounts and any invoice problems resolved. Bi-weekly, payroll will be processed and tax deposits made. Monthly petty cash and the bank accounts will be reconciled. State and Federal payroll reports will be prepared. Doris will oversee and complete this portion of the management.

The laboratory inventory will be managed in two ways. Daily any change in plant and insect products will be recorded. Plants will be counted and recorded at the time they go from seedling flats to individual potted maturing plants. Insects will be counted twice; once at larval stage when hatched onto the feeding plant and once at the end sales stage (whether a pupa or a hatched butterfly). This end sales stage is when the product turns into monetary value. The comparison of these two inventory counts will provide the percentage of loss during the growth stage.

The second portion of the laboratory inventory will be a routine review of supplies such as glucose, fertilizer, potting soil and pots, etc. for reordering purposes. Once a year, a full actual count inventory will be taken. Cori will oversee and complete both types of laboratory inventories.

Periodically we will review the record maintenance methods and work toward more efficient, less labor intensive methods of record keeping. It is our desire to have a complete set of records with as small amount of labor invested in the system as possible.

Other Operating Controls

Personnel management controls will be managed by Doris Dereemer. To aid in assuring good hiring results job descriptions will be developed, applications will be thoroughly reviewed, interviews will be extensive and references will be checked. Each individual hired will be trained by either Doris or Cori depending on the position being filled. Each person will be required to take any additional formal training (at the expense of the business) that is necessary to retain effectiveness as an employee. Periodic performance reviews will be administered.

Purchasing will be completed only by Doris or Cori. All orders will be passed through Doris for record keeping purposes. Purchase Orders will be prepared at the time an order is placed.

Customer service will be managed by both Cori and Doris. Every individual that works for Butterfly World, Inc. will be provided with extensive training on the expectations of customer service. All orders will be filled promptly, any problems will be resolved as soon as we become aware of them, and follow up will be a requirement. We plan to be known for superb service and fun to do business with.

There will be no standard customer credit from Butterfly World, Inc. Special situations such as supplying government agencies and schools will be defined to fit into the customers' and Butterfly World, Inc. needs. Credit cards orders will be handled, but all other orders will be on a cash basis. In the rare instance where credit is extended (such as government agencies and institutions), a credit contract will be prepared and signed by representative agents from the government institution. Credit that becomes overdue will be suspended.

Products will be priced according to what the market will support and production requires. Periodic checks with other suppliers will be done. As this is a luxury market product, the expectation is to be able to operate at 300% to 500% above the cost of production.

Quality control will be the responsibility of all employees. Doris and Cori will review all products (including packaging and paperwork) that are routinely used to represent the business. Laboratory controls will be strict, limiting access to employees that need to enter to perform assigned tasks. Butterfly World, Inc. will be designed to handle touring groups without visitors having actual access to the solarium or the laboratory. Good scientific practices will be maintained for cleanliness and disease control.

The maintenance of cleanliness practices, strict access, extensive records and excellent customer service provides the formula for becoming the best supplier of monarch butterflies. Adding this to expert breeders and disease free stock will make Butterfly World, Inc. a model business of its type.

Section V. The Marketing Plan

A. The Products / Services

Product/Services Description

The primary product of Butterfly World, Inc. is living monarch butterflies. These butterflies are a natural species that are grown disease-free without contact with wild species or any contaminated species. They are produced in a controlled environment under optimal conditions as far as temperature, food sources and humidity. These conditions result in fully developed mature butterflies without damage to their appearance. Their colors are true and vibrant. Because of the conditions under which they are raised, these butterflies will be active and willing to fly about with grace and beauty. The monarch butterflies grown at Butterfly World, Inc. are competitive in pricing, readily available and equal to or better than any monarch butterfly now on the market.

Features/Benefits

The monarch butterfly is beautiful and generally recognized. Those that appreciate beauty and grace will want to add this unique touch of nature to special occasions in their lives such as weddings, yard parties, special religious celebrations and other events of importance. This is a well known variety of butterfly that is common in nearly all regions of the United States. The release of these butterflies will be an addition to the wild population that now exists without introducing a foreign species to the ecological system. The monarchs from Butterfly World, Inc. are healthy and active, giving the purchaser the joy of seeing them float about giving any occasion a special touch of elegance.

Feature

Beautiful and graceful

Variety Common to entire US

Healthy and active

Benefits

Prestige, Status: add a touch of class to any event
Build a special memory: uniqueness makes your special event even more memorable

Ecologically Responsible: add to your local ecosystem instead of creating environmental problems (like balloons & rice)

Peace of mind: product will arrive alive and you can be assured it will be ready to emerge and float away at your big event

Life Cycles/Seasonality

Butterfly World, Inc. is a new business in the startup stage. Although the raising of butterflies for collections has some history, it is a developing business because of stricter laws prohibiting the capture of wild butterflies. The use of butterflies for ecology purposes in pollination processes is also a developing business. Reintroduction into the wild will become a future avenue of expansion as legal regulations are more clearly defined regarding release according to ecological programs.

The monarch butterfly will be available year around. However, the highest sales volumes will be during the May through October season due to the fact that this is the time of year when most weddings occur. In addition, because of weather conditions, shipping will be easier during the warmer months. The trend to use butterflies for education purposes will tend to offset this season as school attendance takes place during the August to May seasons. As a precaution, we are predicting a decline in winter sales, although this may prove to be an unnecessary caution.

Raising butterflies for weddings is, no doubt, a fad. I expect it to last at least another ten years as this is about the trend life of a fad within the United States and butterfly release is just becoming better known to the public. This time period will provide Butterfly World, Inc. with the time necessary to become well established in other markets such as ecology, collections and education.

Products/Services Growth Description

Butterfly World, Inc. is a new business, therefore, the product line of monarch butterflies will be the primary product produced from the beginning of the business startup. Other products will be added as expertise is gained, however, the business is based on this product from the beginning.

We plan to investigate all types of butterfly raising as well as the production of other insects. We will consider such things as beetles for weed and pest controls, bees and moths for pollination purposes, and ladybugs and praying mantis for aphid control. Raising insects of all types will require the same solarium construction and we plan to diversify as soon as possible. This is a rapidly developing business because of limiting restrictions on the uses of pesticides and insecticides. As environmental protection regulations increase, the use of natural predators will also increase. There are few options for pest and disease control other than natural or artificially created methods. Restrictions on artificially created methods force the use of nature's own control devices such as insects.

B. The Market Analysis

Customer Analysis

The primary customer base we will supply is the Heartland Butterfly Farm in Theirstate. Heartland has a butterfly brokerage where they sell butterflies to the retail customer for a fee of 15%. Currently Heartland has a shortage of butterflies and are sold out through 1999.

The second customer base we will supply is the luxury wedding market. Our primary target will be households earning \$100,000 or more per year with marriage age children. The market characteristics include 35 to 54 years of age, Euro-American professionals with a college education that live in the suburbs. These individuals are married and live in families units of 3-4 individuals in suburban areas. This market group looks for quality and uniqueness in product when they buy. They buy using newspapers, magazines, phone and catalogues. Generally these individuals will be the parents of the brides, therefore, advertising would be directed toward these demographics with daughters between the ages of 18 and 25.

All of the promotion and sales of monarch butterflies from Butterfly World, Inc. will take place in the Midwest, South and Eastern part of the United States (See attached map). There is a restriction for shipping monarchs west of the Rocky Mountains, therefore our market is geographically limited to the eastern side of the mountains. Florida, Illinois, Michigan, New York, Ohio, Theirstate and Texas are especially good markets because they have high numbers of 19-22 year old children, high numbers of \$100,000 incomes and are geographically located for sales within our market region.

A third market appears to be 18-34 year old single, white females with college educations in the \$40,000 income bracket. These young women are in what is classified as 'other' professions (neither professionals nor clerical/technical positions) or are not employed. It stands to reason that a single women with an income of \$40,000 or more that is not employed has access to funds from other sources. These women are what is commonly accepted as the age of marriage and looking for ways to make their own weddings unique. They purchase products that are in style, buying by phone, television and catalogues.

As Butterfly World, Inc. becomes more established as a reliable producer, additional species will be added for the purpose of endangered species reintroduction in the wild. In addition we plan to sell directly to agencies such as the Butterfly Company in Far Away, New Jersey and Blair Ithica in Theirstate. These two agencies are the premier producers of prepared butterfly, moth and other displays in the world. They provide Carolina Biological Supply Company, Ward's Natural Science Establishment and Nasco Science with the scientific displays of mounted butterflies used for educational purposes.

Competitive Analysis

Butterfly World, Inc. has three competitors. They are the Heartland Butterfly Farm, Science Laboratories producing for themselves and independent hobbyists. The Science Laboratories are not a competitor in the sense of taking customers out of our market base. Rather we will invade these markets to produce for the labs when we have reached production capacity for the brokerage firm. Hobbyists supply a small number of butterflies to the brokerage, but generally work locally and do not expand into the greater metropolitan markets we intend to supply. Therefore, Heartland is our greatest competitor as well as our best ally. Although it may sound incredible that these are the only competitors we have, there are good reasons for a limited number of producers. It takes a large capital investment to produce butterflies at the numbers we are proposing. In addition, scientific expertise is critical to maintain a controlled environment that production at this level requires. These two factors limit the number of producers that attempt butterfly raising as a mature business.

Strengths and weaknesses of competitors:

1: Heartland

Strengths: Large producer of butterflies (25,000 annually)
Has demand for butterflies that exceeds current production
Offers brokerage services to other butterfly producers (hobbyists)
Established business

Weaknesses: Cannot supply all customer requests
Limited to the eastern half of the United States
Do not have scientific expertise to diversify

2: Scientific labs:

Strengths: Produce used as is produced
Established facilities for production
Have scientific expertise

Weaknesses: Do not produce for resale

3: Hobbyists:

Strengths: Hobby is not a business that employees depend on for support
Produce at the rate of their choice
Established facilities for production

Weaknesses: Cannot meet customer demand
Limited facility size
Do not have scientific expertise to diversify

Heartland also is a brokerage firm that will sell our butterflies to retail customers for a fee of 15%. This provides a guaranteed market for Butterfly World, Inc. because Heartland has a shortage of butterflies for their customers. It behooves them to keep their customers happy by having product available, and therefore they have expanded their services to include the brokerage firm. Although Heartland produces for the eastern portion of the United States, they provide Butterfly World, Inc. with an instant customer base that is somewhat developed as we begin to sell over the Internet.

An advantage Butterfly World, Inc. has is the expertise of the owners. The science of raising butterflies is a developing science and generally the individuals producing monarchs have no specific training in scientific method. We have the advantage of understanding plant production, sterile methods, disease control, and controlled environments as well as business expertise regarding management and expansion of small business. In addition, we are located in a rural area that is a central shipping area for much of the geographic region. Highway 83 is a north/south shipping route. We are privately owned and operated giving us flexibility in customer service and reliability. Although Heartland has an established business, their expertise is limited to monarch production with other butterfly species as a hobby. They are not scientists and are not prepared to diversify into other insect production. The hobbyists generally have limited expertise, facilities and finances to expand the hobby to a viable business.

Market Potential

The geographic trade territory of Butterfly World, Inc. is the Midwest, East and South Census Divisions of the United States. The region includes all states east of the Rocky Mountains (See attached map).

In the 37 states included in our geographic trade territory there are 4,781,071 individuals who fit our customer profile. The definition of this customer profile is adults with incomes greater than \$75,000 that live in the eastern half of the United States. Studies show this is approximately 10% of the population in that geographic region. There are 2,615,463 young adults of ages 19-22 in the same 37 states. If we assume that 10% of these young adults live within the 10% of the households with incomes greater than \$75,000 we have a population number that falls within the "most likely to marry" information demographic studies reveal (261,546 individuals). We know that more than 5% of that population marries each year. Therefore, if 5% of the 261,546 young adults marry each year, we have a target market of 13,077 customers annually. We will produce approximately 25,000 monarchs on an annual basis. The 2,100 dozen butterflies we will produce would supply only 16% of the available customers in the profile we have targeted if each bought only one dozen. The average purchase according to Heartland is 3 to 5 dozen per wedding. To increase our sales, we will simply increase production. The market for monarchs is growing because of awareness of availability and we will not attempt to supply the entire market available.

The butterflies will be marketed in two ways. We will sell through the Heartland Stockyard at a fee of 15% on sales. We notify this agency of what we have available and they sell the stock. We are confident this will be successful because they have a shortage of stock at all times. In addition, we will purchase a prepared mailing list of bridal shops that focus on high end weddings for individuals fitting our customer profile. We will market directly to these shops.

C. Marketing Strategies

Location/Distribution

Butterfly World, Inc. is located in Eastville, Ourstate. This location was chosen because it is our place of residence. The business was designed to fit the region, rather than the geographic location selected for the business. The building is be a 48 x 80 foot structure. 24 x 80 feet will be a glass enclosed solarium and the other 24 x 80 feet will be wood structure. The attached brochures describes the type of solarium we plan to use for the controlled environment in which we will raise butterflies. This business will ship all products by UPS, Federal Express and Air Freight. All products can be shipped directly to the customer in packages provided by Heartland Butterfly Farm. However, Butterfly World, Inc., Inc. has the opportunity to enhance or change packaging and labels if we so desire. Heartland Butterfly Farm sends their packaging with the order information to be shipped to Butterfly World, Inc., Inc. and we fill the orders from there. We are not under obligation to use Heartland's packaging.

Butterfly World, Inc. is located in a quiet part of the town of Eastville. Little traffic passes near this piece of property. This is an advantage to the insects as there will be little air pollution or disturbance. The property is partially landscaped and meets the needs of available sunlight to the solarium side of the building. This is necessary for rapid plant growth and for insect health. There is easy access to the property which is a corner lot. Parking will not be a problem. The side street that accesses the shipping and receiving bay area will not disrupt traffic. In addition, shipping and receiving vehicles will not be backing into high traffic areas. The lot has been purchased and buildings have been removed from it.

Price/Quality Relationship

The price of monarch butterflies will be high; approximately \$100 per dozen. This price fits within the market place currently. We will produce high priced, high quality butterflies because it is to our advantage to do so. If we do not have high quality product, it will die and we will have no product at all. We must keep our insects disease free in a controlled environment. This will keep us competitive because not all of our competitors are disease free. This is the image that we wish to portray as experts in the field of raising butterflies. We intend to be the place to go for top of the market butterflies.

Promotional Strategies

Packaging

Butterfly World, Inc. will use a professional graphics designer to produce a designed logo that will appear on all stationery, brochures, business cards and billing statements. We will have peel off logos prepared for use in special situations such as on butterfly houses that are sent to schools for educational purposes. We plan to have produced a pyramid type packaging for live butterflies. Each of this units will include the logo with our name, address

and phone number. The packages are to be beautifully designed so each attendee at a wedding opens their own tiny pyramid and the butterfly floats out. These packages are planned to be unique enough that they will be retained as memorabilia from the wedding and thereby retain our business information. All shipping cartons and envelopes will include this logo. This type of consistency aids in publicizing the business and making it recognizable.

The building housing Butterfly World, Inc. will be beautiful, clean and neat. The grounds will be well developed landscapes to use for hosting community and business affairs. The area will reflect a serious professional business. Inside the building a hallway will run the entire length with viewing windows. These windows are for use of the public such as school groups and organizations that may want to tour Butterfly World, Inc.. Individuals will be able to see into the solarium from the hall without entering and contaminating the environment.

The employees will wear white lab coats except when working on the grounds outdoors. All employees will be required to dress in a professionally appropriate manner to maintain the atmosphere of professionalism. The inside of the building will be neat and clean at all times. The office will be organized, well designed with professional furnishings. All areas will have large quantities of live plant life, pictures of butterflies and other interior decorations that promote the beauty of the product we are producing. Awards and plaque will displayed in a special area as they are received to indicate expertise.

Public Relations

The owners will take part in community activities in Eastville, Ourstate. Donations will be made to support youth activities as long as those donations are publicly recognized and a banner is posted at the event. Volunteer activities in the school system and at public meetings will be a part of community service. In addition to local activities we plan to become THE expert in the area regarding insect life (especially butterflies), reintroduction of species in threatened habitats as well as becoming a model entrepreneurial business in a rural environment. We will actively work toward getting feature articles in a variety of newspaper and magazines as well as regional television. We plan to prepare professional data sheets including color photos for use in promoting the business to agencies for feature articles. We plan to capitalize on being a unique rural enterprise in the Sandhills of Ourstate. This may lead to some type of tourist trade involvement in the future.

Advertising

The budget for advertising the first year will be set at \$10,000. This is approximately 5% of the estimated gross income. This advertising will be focused on producing the proper paper products, attending bridal trade shows, and preparing the Internet web page during the first 12 months of business. In addition, we plan to submit our product information sheets to new product feature columns in bridal, garden, and home improvement magazines at no cost to Butterfly World, Inc.. We will be listed in the yellow pages of regional telephone books. Our advertising will be focused in the eastern portion of Ourstate during the first year. Out of state sales will be taken care of by the brokerage firm. Once we are well established we plan to target high income areas of the east coast for marketing purposes.

Section VI. The Financial Plan

A. Financial Worksheets

The following Financial Worksheets are included in this section:

Salaries – Years One, Two and Three

Occupancy Expenses – Years One, Two and Three

Miscellaneous and Outside Services Expenses – Years One, Two and Three

Sales Forecasts – Years One, Two and Three

Cost of Projected Product Units Sold – Years One, Two and Three

Start-up Expenses Worksheet

Salaries Worksheet - Butterfly World, Inc.

[illegible]

Occupancy Expenses Worksheet - Butterfly World, Inc.

	Occupancy Expenses for Year One - 1998												
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electric	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250	\$250	\$300	\$400	\$500	\$1,700
Water	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$35	\$35	\$35	\$35	\$35	\$175
Telephone	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000	\$300	\$300	\$300	\$300	\$2,200
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,285	\$585	\$635	\$735	\$835	\$4,075
	Occupancy Expenses for Year Two - 1999												
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Repairs	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1,500
Electric	\$500	\$500	\$500	\$350	\$250	\$200	\$200	\$200	\$250	\$300	\$400	\$500	\$4,150
Water	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$420
Telephone	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Totals	\$960	\$960	\$960	\$810	\$710	\$660	\$660	\$660	\$710	\$760	\$860	\$960	\$9,670
	Occupancy Expenses for Year Three - 2000												
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Repairs	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1,500
Electric	\$500	\$500	\$500	\$350	\$250	\$200	\$200	\$200	\$250	\$300	\$400	\$500	\$4,150
Water	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$420
Telephone	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Totals	\$960	\$960	\$960	\$810	\$710	\$660	\$660	\$660	\$710	\$760	\$860	\$960	\$9,670

Miscellaneous and Outside Services Expenses Worksheet - Butterfly World, Inc.

	Miscellaneous & Outside Services Expenses for Year One - 1998													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total	Notes
Car	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200	\$200	\$200	\$300	\$300	\$1,200	
Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$500	\$50	\$50	\$50	\$50	\$700	
Grounds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Landscape	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Acct. package	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500	\$0	\$0	\$0	\$0	\$1,500	
Payroll Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Property tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Prof. Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,150	\$0	\$0	\$0	\$0	\$1,150	
Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Custodial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Brokerage fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,350	\$250	\$250	\$350	\$350	\$4,550	
	Miscellaneous & Outside Services Expenses for Year Two - 1999													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total	Notes
Car	\$300	\$300	\$300	\$300	\$300	\$550	\$300	\$300	\$700	\$300	\$300	\$550	\$4,500	
Supplies	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600	office
Grounds	\$0	\$0	\$0	\$0	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	fence
Landscape	\$0	\$0	\$0	\$0	\$0	\$2,000	\$2,000	\$1,000	\$0	\$0	\$0	\$0	\$5,000	
Software	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Payroll Tax	\$475	\$475	\$475	\$475	\$475	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$6,575	
Property tax					\$3,038				\$3,038				\$6,076	
Prof. Service	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800	CPA
Maintenance	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1,500	Repair
Custodial	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400	Lupe'
Brokerage fee	\$1,875	\$1,875	\$2,498	\$3,120	\$5,625	\$5,625	\$5,625	\$5,625	\$5,625	\$3,120	\$0	\$0	\$40,613	
Totals	\$3,175	\$3,175	\$3,798	\$4,420	\$9,963	\$14,300	\$9,050	\$8,050	\$10,488	\$4,545	\$1,425	\$1,675	\$74,064	
	Miscellaneous & Outside Services Expenses for Year Three - 2000													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total	Notes
Car	\$300	\$300	\$300	\$300	\$300	\$550	\$300	\$300	\$700	\$300	\$300	\$550	\$4,500	
Supplies	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600	office
Grounds	\$0	\$0	\$0	\$0	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	arbor
Landscape	\$0	\$0	\$0	\$0	\$0	\$2,000	\$2,000	\$1,000	\$0	\$0	\$0	\$0	\$5,000	
Software	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Payroll Tax	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$7,200	
Property tax					\$3,038				\$3,038				\$6,076	
Prof. Service	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800	CPA
Maintenance	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1,500	Repair
Custodial	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400	Lupe'
Brokerage fee	\$2,250	\$2,250	\$2,997	\$3,744	\$6,750	\$6,750	\$6,750	\$6,750	\$6,750	\$3,744	\$0	\$0	\$48,735	
Totals	\$3,675	\$3,675	\$4,422	\$5,169	\$11,213	\$15,425	\$10,175	\$9,175	\$11,613	\$5,169	\$1,425	\$1,675	\$82,811	

Sales Forecast Worksheet - Butterfly World, Inc.

<u>Sales Forecast for Year One - 1998</u>													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Units Sold	0	0	0	0	0	0	0	0	0	0	0	0	0
Price per Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Sales Forecast for Year Two - 1999</u>													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Units Sold	1,500	1,500	1,998	2,496	4,500	4,500	4,500	4,500	4,500	2,496	0	0	32,490
Price per Unit	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	
Total Sales	\$12,500	\$12,500	\$16,650	\$20,800	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$20,800	\$0	\$0	\$270,750
Totals	\$12,500	\$12,500	\$16,650	\$20,800	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$20,800	\$0	\$0	\$270,750
<u>Sales Forecast for Year Three - 2000</u>													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Units Sold	1,800	1,800	2,398	2,995	5,400	5,400	5,400	5,400	5,400	2,995	0	0	38,988
Price per Unit	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	
Total Sales	\$15,000	\$15,000	\$19,980	\$24,960	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$24,960	\$0	\$0	\$324,900
Totals	\$15,000	\$15,000	\$19,980	\$24,960	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$24,960	\$0	\$0	\$324,900

Cost of Projected Product Units Sold Worksheet - Butterfly World, Inc.

Cost of Projected Product Units Sold for Year One - 1998													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Units Sold	0	0	0	0	0	0	0	0	0	0	0	0	0
Cost per Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Totals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Projected Product Units Sold for Year Two - 1999													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Units Sold	1,500	1,500	2,000	2,500	4,500	4,500	4,500	4,500	4,500	2,500	0	0	32,500
Cost per Unit	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	
Total Cost	\$1,500	\$1,500	\$2,000	\$2,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$2,500	\$0	\$0	\$32,500
Totals	\$1,500	\$1,500	\$2,000	\$2,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$2,500	\$0	\$0	\$32,500
Cost of Projected Product Units Sold for Year Three - 2000													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Units Sold	1,800	1,800	2,400	3,000	5,400	5,400	5,400	5,400	5,400	3,000	0	0	39,000
Cost per Unit	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	
Total Cost	\$1,800	\$1,800	\$2,400	\$3,000	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$3,000	\$0	\$0	\$39,000
Totals	\$1,800	\$1,800	\$2,400	\$3,000	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$3,000	\$0	\$0	\$39,000

Start-up Expenses Worksheet - Butterfly World, Inc.

<u>Startup Sheet for Butterfly World, Inc.</u>			
July 1, 1998			
		1st 6 mo. Expenses	
	On-hand	To be borrowed	Notes
Cash	\$15,000		
Purchased building and equipment		\$200,000	
Equipment		\$25,000	
Installation fees & utility deposits		\$1,150	
Insurance		\$3,750	
Advertising		\$4,500	
Occupancy Expense		\$4,075	
Miscellaneous Expenses		\$3,400	
Debt Payment		\$16,995	
Totals	\$15,000	\$258,870	

B. Cash Flow Projections

Notes - Cash Flow for Years One, Two and Three (1998, 1999, & 2000)

#1. July - starting with \$15,000 cash - See Startup Sheet and Balance Sheet. We own the land on which we are planning to build as well as the computer equipment and vehicles. We also plan to do much of the labor and coordination of the construction process ourselves in order to keep construction costs down.

#2. The first six months of operation are for building construction, equipment acquisition and plant growth to support the butterfly population. No cash receipts are planned until January, 1999.

#3. The cash purchases of \$25,000 will include potting supplies, seeds, fertilizer, chemicals, glucose, shipping materials and all support materials to start-up the plant production.

#4. These Outside Services include \$1000 to set up corporation documents and \$150 to any CPA advice I may need for startup bookkeeping. (Amount taken from Prof. Services line item on the Miscellaneous and Outside Services Expense Worksheet.)

#5. Start up advertising in July will include brochures, stationery, and all types of paper products to support the promotion of Butterfly World, Inc.. \$500 will be set aside to design a Web Page. We plan to market directly to customers over the Internet as well as using the brokerage service. We planned conservatively, estimating we would have to use the brokerage service for all sales, therefore, brokerage fees are planned for all sales even though we may not spend them.

#6. Occupancy expenses: see supplementary spreadsheet. These costs are based on actual utility costs for this community. This repair allowance is for maintenance and repair inside the building.

#7. Miscellaneous expenses: see supplementary spreadsheet. (The amount equals totals less #4 – Outside Services, above.) Although most of these expenses are self-explanatory, the vehicle expense is an estimate and depends on vehicle use.

#8. \$200,000 is being spent to construct the building: \$96,000 is estimated for the frame construction portion of the building (including all heating, cooling, plumbing, etc.), \$56,000 for the solarium, \$5,000 for shipping of solarium, \$30,000 for interior equipment, \$6,000 cement work and \$7,000 for unknown expenses.

#9. Debt Payment - see supplementary spreadsheet. All of the debt projections are based on a 9% amortization schedule. The building is planned over a 15 year payback and all other loans are planned on a five year payback.

#10. Draw on operating loan that was pre-approved.

#11. Yearly Total Ending Cash Balance is a check with the December Ending Cash Balance. It is calculated by:

- + Beginning Cash Balance
- + Total Cash Receipts
- Total Cash Disbursement
- + Adjusted Net Cash Flow

#12. Sales - see Sales Forecast supplementary spreadsheet. The Cash Sales are based on the assumption that we will sell butterflies at a price of \$100 per dozen which matches the current market. Therefore, we plan to sell 125 dozen butterflies in January and February, 166.5 dozen in March, 208 dozen in April, 375 dozen in May through September (during the busy wedding season) and 208 dozen in October. Current demand coupled with lack of butterfly production facilities in the country means that we should be able to sell all that we raise. No sales are projected in November and December to allow for vacations, plan re-growth, training, studying new species, investigating new markets, etc.

#13. See Cost of Goods Sold supplementary spreadsheet. The cost of production is based on a \$12 a dozen estimate. This estimate is probably high as the real cost of raising butterflies is in providing the right type of facility, rather than high cost of raising.

#14. Salaries - see supplementary spreadsheet. No salaries are taken during 1998. In 1999 and 2000 we plan to keep salaries low to give the business the best opportunity for success. (16% for Benefits and Taxes were added to Salaries – see Payroll Tax line item on Miscellaneous Expense Worksheet.)

#15. The Miscellaneous and Outside Services supplementary spreadsheet includes the brokerage fee of 15%. This fee varies with the number of butterflies sold through the brokerage as the fee is based on sales.

#16. Advertising will be a planned program that is monitored closely. All donations will be included in this category with the requirement of publication of the donation.

#17. A planned increase of 20% in production is included in the Year Three - 2000 figures. We plan a steady increase for the first 3 years and then do a serious review as to what we plan as a top-end production schedule.

Monthly Cash Flow Projection Worksheet - Year One - Butterfly World, Inc.

	Monthly Cash Flow Projections for Butterfly World, Inc. - Year One - 1998													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total	Notes
Cash Balance	0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$30,000	\$18,716	\$13,232	\$7,698	\$1,964	\$15,000	#1
Cash Receipts														
Cash Sales														
Other Income														
Total Cash Receipts							\$0	\$0	\$0	\$0	\$0	\$0	\$0	#2
Cash Disbursements														
Cash Purchases							\$25,000						\$25,000	#3
Salaries/Benefits														
Outside Services - Brokerage Fee													\$0	#4
Outside Services - Prof. Services								\$1,150					\$1,150	
Insurance								\$750	\$750	\$750	\$750	\$750	\$3,750	
Advertising								\$2,500	\$500	\$500	\$500	\$500	\$4,500	#5
Occupancy Expenses								\$1,285	\$585	\$635	\$735	\$835	\$4,075	#6
Miscellaneous Expenses								\$2,200	\$250	\$250	\$350	\$350	\$3,400	#7
Purchase of Fixed Assets							\$200,000						\$200,000	#8
Debt Payment - Old								\$3,399	\$3,399	\$3,399	\$3,399	\$3,399	\$16,995	#9
Total Cash Disbursement							\$225,000	\$11,284	\$5,484	\$5,534	\$5,734	\$5,834	\$258,870	
Net Cash Flow							(\$225,000)	(\$11,284)	(\$5,484)	(\$5,534)	(\$5,734)	(\$5,834)	(\$258,870)	
Adjustments to Net Cash Flow														
New Debt							\$240,000	\$0	\$0	\$0	\$0	\$15,000	\$255,000	#10
New Owner Investment														
New Debt - Interest payments														
New Debt - Principal payments														
Adjusted Net Cash Flow							\$15,000	(\$11,284)	(\$5,484)	(\$5,534)	(\$5,734)	\$9,166	(\$3,870)	
Ending Cash Balance							\$30,000	\$18,716	\$13,232	\$7,698	\$1,964	\$11,130	\$11,130	#11

Monthly Cash Flow Projection Worksheet - Year Two - Butterfly World, Inc.

	Monthly Cash Flow Projections for Butterfly World, Inc. - Year Two - 1999													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total	Notes
Cash Balance	\$11,130	\$9,785	\$8,440	\$10,122	\$14,982	\$29,099	\$38,119	\$52,389	\$67,659	\$80,691	\$84,916	\$73,861	11,130	
Cash Receipts														
Cash Sales	\$12,500	\$12,500	\$16,650	\$20,800	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$20,800	\$0	\$0	\$270,750	#17
Other Income														
Total Cash Receipts	\$12,500	\$12,500	\$16,650	\$20,800	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$20,800	\$0	\$0	\$270,750	#12
Cash Disbursements														
Cash Purchases	\$1,500	\$1,500	\$2,000	\$2,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$2,500	\$0	\$0	\$32,500	#13
Salaries/Benefits	\$3,475	\$3,475	\$3,475	\$3,475	\$3,475	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$48,245	#14
Outside Services - Brokerage Fee	\$1,875	\$1,875	\$2,498	\$3,120	\$5,625	\$5,625	\$5,625	\$5,625	\$5,625	\$3,120	\$0	\$0	\$40,613	#15
Outside Services - Prof. Services	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$5,700	
Insurance	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$9,000	
Advertising	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$500	\$500	\$500	\$500	\$8,000	#16
Occupancy Expenses	\$960	\$960	\$960	\$810	\$710	\$660	\$660	\$660	\$710	\$760	\$860	\$960	\$9,670	#6
Miscellaneous Expenses	\$350	\$350	\$350	\$350	\$3,388	\$7,600	\$2,350	\$1,350	\$3,788	\$350	\$350	\$600	\$21,176	#7
Purchase of Fixed Assets														
Debt Payment - Old	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$3,710	\$44,520	#9
Total Cash Disbursement	\$13,845	\$13,845	\$14,968	\$15,940	\$23,383	\$28,480	\$23,230	\$22,230	\$24,468	\$16,575	\$11,055	\$11,405	\$219,424	
Net Cash Flow	(\$1,345)	(\$1,345)	\$1,682	\$4,860	\$14,117	\$9,020	\$14,270	\$15,270	\$13,032	\$4,225	(\$11,055)	(\$11,405)	\$51,326	
Adjustments to Net Cash Flow														
New Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
New Owner Investment														
New Debt - Interest payments														
New Debt - Principal payments													\$0	
Adjusted Net Cash Flow	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Ending Cash Balance	\$9,785	\$8,440	\$10,122	\$14,982	\$29,099	\$38,119	\$52,389	\$67,659	\$80,691	\$84,916	\$73,861	\$62,456	\$62,456	#11

Monthly Cash Flow Projection Worksheet - Year Three - Butterfly World, Inc.

	Monthly Cash Flow Projections for Butterfly World, Inc. - Year Three - 2000													
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total	Notes
Cash Balance	\$62,456	\$61,689	\$60,922	\$63,788	\$70,437	\$88,782	\$102,965	\$122,398	\$142,831	\$161,026	\$167,975	\$156,608	62,456	
Cash Receipts														
Cash Sales	\$15,000	\$15,000	\$19,980	\$24,960	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$24,960	\$0	\$0	\$324,900	
Other Income														
Total Cash Receipts	\$15,000	\$15,000	\$19,980	\$24,960	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$24,960	\$0	\$0	\$324,900	#12
Cash Disbursements														
Cash Purchases	\$1,800	\$1,800	\$2,400	\$3,000	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$3,000	\$0	\$0	\$39,000	#13
Salaries/Benefits	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$4,410	\$52,920	#14
Outside Services - Brokerage Fee	\$2,250	\$2,250	\$2,997	\$3,744	\$6,750	\$6,750	\$6,750	\$6,750	\$6,750	\$3,744	\$0	\$0	\$48,735	#15
Outside Services - Prof. Services	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$475	\$5,700	
Insurance	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$9,000	
Advertising	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$500	\$500	\$500	\$500	\$8,000	#16
Occupancy Expenses	\$960	\$960	\$960	\$810	\$710	\$660	\$660	\$660	\$710	\$760	\$860	\$960	\$9,670	#6
Miscellaneous Expenses	\$350	\$350	\$350	\$350	\$3,388	\$7,600	\$2,350	\$1,350	\$3,788	\$350	\$350	\$600	\$21,176	#7
Purchase of Fixed Assets														
Debt Payment - Old	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$4,022	\$48,264	#9
Total Cash Disbursement	\$15,767	\$15,767	\$17,114	\$18,311	\$26,655	\$30,817	\$25,567	\$24,567	\$26,805	\$18,011	\$11,367	\$11,717	\$242,465	
Net Cash Flow	(\$767)	(\$767)	\$2,866	\$6,649	\$18,345	\$14,183	\$19,433	\$20,433	\$18,195	\$6,949	(\$11,367)	(\$11,717)	\$82,435	
Adjustments to Net Cash Flow														
New Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
New Owner Investment														
New Debt - Interest payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
New Debt- Principal payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Adjusted Net Cash Flow	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Ending Cash Balance	\$61,689	\$60,922	\$63,788	\$70,437	\$88,782	\$102,965	\$122,398	\$142,831	\$161,026	\$167,975	\$156,608	\$144,891	\$144,891	#11

C. Financial Statements

Project Income Statements and Balance Sheets follow this page for Years One, Two and Three.

D. Additional Financial Information

Summary of Financial Needs

Butterfly World, Inc. is in the development stage. Therefore, it needs \$150,000 for building construction, \$25,000 for startup expense, \$50,000 for office and solarium equipment and \$60,000 for operating funds for the first five years. The following chart shows the plan to obtain these funds:

<u>Purpose</u>	<u>Funds needed</u>	<u>Source</u>	<u>Payback Schedule</u>
Building	\$150,000	Lending agency	15 years @ 9%
Equipment	50,000	Angel	* Balloon
Startup	13,870	Angel	* Balloon
Operating	45,000	Lending agency	5 years @ 9%
Operating	15,000	Self	Draw at the end of 5 years

*Although the agreement with the Angel asks for a simple interest 9% repayment at the end of 5 years, I have planned savings deposits of payments equal to a loan of equal value at equal rate. The point is at the end of 5 years I will simply draw the owed amount and pay the Angel without undue stress on the business. The payment plan is spread over the 5 years even though the Angel does not require payment. Early repayment has been discouraged, therefore, the interest earned on the deposits will aid in offsetting the interest owed to the Angel. The Angel is not requiring security or personal involvement in the business. She is supplying funds "in good faith" based on her previous knowledge of me.

The other borrowed funds will be paid back on monthly scheduled payments. It appears that we should be able to pay off all loan amounts (including the deposits for the Angel) except for the long-term Building loan within 3-4 years of operation. The building loan will be reviewed annually after the third year to determine if it is wise to pay ahead on this loan or leave the operating money available for other uses.

The owners will be putting up \$15,000 cash to begin the business. In addition, we are supplying two vehicles valued at \$28,000, land valued at \$2,500, and computer and printer equipment valued at \$10,000 for a total investment by the owners of \$55,500.

Projected Income Statement for Butterfly World, Inc.

	Projected Income Statement for Year One - 1998												
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Sales							0	0	0	0	0	0	0
Cost of Projected Units Sold							0	0	0	0	0	0	0
Gross Margin							0	0	0	0	0	0	0
Operating Expenses													
Salaries							0	0	0	0	0	0	0
Outside Services							0	1,150	0	0	0	0	1,150
Insurance							0	750	750	750	750	750	3,750
Advertising								2,500	500	500	500	500	4,500
Occupancy Expense							0	1,285	585	635	735	835	4,075
Miscellaneous Expense							0	2,200	250	250	350	350	3,400
Depreciation							1,958	1,958	1,958	1,958	1,958	1,958	11,748
Interest-Old Debt							1,263	1,263	1,263	1,263	1,263	1,263	7,578
Interest-New Debt							0	0	0	0	0	0	0
Total Oper. Expenses							3,221	11,106	5,306	5,356	5,556	5,656	36,201
Net Operating Profit							(3,221)	(11,106)	(5,306)	(5,356)	(5,556)	(5,656)	(36,201)
Other Gains/Losses							0	0	0	0	0	0	0
Net Profit							(3,221)	(11,106)	(5,306)	(5,356)	(5,556)	(5,656)	(36,201)
(before Income Tax)													

Projected Income Statement for Butterfly World, Inc.

	Projected Income Statement for Year Three - 2000												
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Sales	15,000	15,000	19,980	24,960	45,000	45,000	45,000	45,000	45,000	24,960	0	0	324,900
Cost of Projected Units Sold	1,800	1,800	2,400	3,000	5,400	5,400	5,400	5,400	5,400	3,000	0	0	39,000
Gross Margin	13,200	13,200	17,580	21,960	39,600	39,600	39,600	39,600	39,600	21,960	0	0	285,900
Operating Expenses													
Salaries	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	52,920
Outside Services	2,725	2,725	3,472	4,219	7,225	7,225	7,225	7,225	7,225	4,219	475	475	54,435
Insurance	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Advertising	750	750	750	750	750	750	750	750	500	500	500	500	8,000
Occupancy Expense	960	960	960	810	710	660	660	660	710	760	860	960	9,670
Miscellaneous Expense	350	350	350	350	3,388	7,600	2,350	1,350	3,788	350	350	600	21,176
Depreciation	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	23,496
Interest-Old Debt	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	15,888
Interest-New Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Oper. Expenses	13,227	13,227	13,974	14,571	20,515	24,677	19,427	18,427	20,665	14,271	10,627	10,977	194,585
Net Operating Profit	(27)	(27)	3,606	7,389	19,085	14,923	20,173	21,173	18,935	7,689	(10,627)	(10,977)	91,315
Other Gains/Losses	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	(27)	(27)	3,606	7,389	19,085	14,923	20,173	21,173	18,935	7,689	(10,627)	(10,977)	91,315
(before Income Tax)													

Projected Income Statement for Butterfly World, Inc.

	Projected Income Statement for Year Two - 1999												
Months	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
Sales	12,500	12,500	16,650	20,800	37,500	37,500	37,500	37,500	37,500	20,800	0	0	270,750
Cost of Projected Units Sold	1,500	1,500	2,000	2,500	4,500	4,500	4,500	4,500	4,500	2,500	0	0	32,500
Gross Margin	11,000	11,000	14,650	18,300	33,000	33,000	33,000	33,000	33,000	18,300	0	0	238,250
Operating Expenses													
Salaries	3,475	3,475	3,475	3,475	3,475	4,410	4,410	4,410	4,410	4,410	4,410	4,410	48,245
Outside Services	2,350	2,350	2,973	3,595	6,100	6,100	6,100	6,100	6,100	3,595	475	475	46,313
Insurance	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Advertising	750	750	750	750	750	750	750	750	500	500	500	500	8,000
Occupancy Expense	960	960	960	810	710	660	660	660	710	760	860	960	9,670
Miscellaneous Expense	350	350	350	350	3,388	7,600	2,350	1,350	3,788	350	350	600	21,176
Depreciation	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	23,496
Interest-Old Debt	1,263	1,263	1,263	1,263	1,263	1,263	1,263	1,263	1,263	1,263	1,263	1,263	15,156
Interest-New Debt	61	61	61	61	61	61	61	61	61	61	61	61	732
Total Oper. Expenses	11,917	11,917	12,540	13,012	18,455	23,552	18,302	17,302	19,540	13,647	10,627	10,977	181,788
Net Operating Profit	(917)	(917)	2,110	5,288	14,545	9,448	14,698	15,698	13,460	4,653	(10,627)	(10,977)	56,462
Other Gains/Losses	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	(917)	(917)	2,110	5,288	14,545	9,448	14,698	15,698	13,460	4,653	(10,627)	(10,977)	56,462
(before Income Tax)													

Balance Sheet - Butterfly World, Inc. - Jan. 1, 1998

Balance Sheet for Butterfly World, Inc.		
Date of Balance Sheet - January 1, 1998		
	Value at Cost	Notes
ASSETS		
Current Assets		
Cash	\$15,000	
Accounts Receivable		
Inventory (Plants & Butterflies)		
Other Current Assets		
Total Current Assets:	\$15,000	
Fixed Assets		
Land	\$2,500	
Equipment (computers & printers)	\$10,000	
(less accumulated depreciation)	(\$2,000)	
Other Fixed Assets (2 vehicles)	\$28,000	
(less accumulated depreciation)	(\$2,800)	
New Buildings		
New Solarium & Office Equipment		
(less accumulated depreciation on both)		
Total Fixed Assets:	\$35,700	
TOTAL ASSETS (A) = (B + C)	\$50,700	
LIABILITIES		
Current Liabilities		
Accounts Payable		
Other Current Liabilities	\$8,500	
Total Current Liabilities:	\$8,500	
Long-term Liabilities		
Debt (Building)		
Other Long-term Liabilities (Start-up)		
Total Long-Term Liabilities:		
TOTAL LIABILITIES (B)	\$8,500	
OWNER'S EQUITY (C)	\$42,200	
Liquidity Ratios	Ratio	
Current Ratio	5.96	50,700/8,500
Quick Ratio	1.76	15,000/8500
Working Capital	\$6,500	15,000 - 8,500
Capital Structure Ratios		
Debt to Equity	0.18	8,500/47,000

Balance Sheet - Butterfly World, Inc. - Jan. 1, 1999

Balance Sheet for Butterfly World, Inc.		
Date of Balance Sheet - January 1, 1999		
	Value at Cost	Notes
ASSETS		
Current Assets		
Cash	\$11,130	1998 ending cash balance
Cash from operating loan		
Accounts Receivable		
Other Current Assets (Inventory/Supplies)	\$25,000	see note #3
Total Current Assets:	\$36,130	
Fixed Assets		
Land	\$2,500	
Buildings	\$96,000	see notes to Cash Flow #8
Solarium & office equipment	\$104,000	see notes to Cash Flow #8
(less accum. depreciation on both)	(\$11,748)	
Equipment (computers & printers)	\$10,000	
(less accumulated depreciation)	(\$2,000)	less depreciation in 1998
Other Fixed Assets (2 vehicles)	\$28,000	
(less accumulated depreciation)	(\$2,800)	less depreciation in 1998
Total Fixed Assets:	\$223,952	
TOTAL ASSETS (A) = (B + C)	\$260,082	
LIABILITIES		
Current Liabilities		
Accounts Payable		
Operating loan for 1998 & Beg. Supplies	\$55,000	
Other Current Liabilities		
Total Current Liabilities:	\$55,000	
Long-term Liabilities		
Debt (Building)	\$92,515	less 3,485 paid in 1998
Long-term Liabilities (Equipment)	\$98,068	less 5,932 paid in 1998
Owner's Subordinated Debt	\$8,500	
Total Long-Term Liabilities:	\$199,083	
TOTAL LIABILITIES (B)	\$254,083	
OWNER'S EQUITY (C)	\$5,999	
Beginning Equity \$42,200		
Net Income (Loss) (\$36,201)		
Ending Equity \$5999		
Liquidity Ratios	Ratio	
Current Ratio	0.66	36,130/55,000
Quick Ratio	0.2	36,130-25,000/55,000
Working Capital	\$11,130	46,130-35,000
Capital Structure Ratios		
Debt to Equity	42.35	254,083/5,999

Balance Sheet - Butterfly World, Inc. - Jan. 1, 2000

Balance Sheet for Butterfly World, Inc.		
Date of Balance Sheet - January 1, 2000		
	Value at Cost	Notes
ASSETS		
Current Assets		
Cash	\$62,456	1999 ending cash balance
Cash from operating loan		
Accounts Receivable		
Other Current Assets (Inventory/Supplies)	\$25,000	see note #3
Total Current Assets:	\$87,456	
Fixed Assets		
Land	\$2,500	
Buildings	\$96,000	
Solarium & office equipment	\$104,000	
(less accum. depreciation on both)	(\$35,244)	
Equipment (computers & printers)	\$10,000	
(less accumulated depreciation)	(\$2,000)	
Other Fixed Assets (2 vehicles)	\$28,000	
(less accumulated depreciation)	(\$2,800)	
Total Fixed Assets:	\$200,456	
TOTAL ASSETS (A) = (B + C)	\$287,912	
LIABILITIES		
Current Liabilities		
Accounts Payable		
Operating loan for 1998 & Beg. Supplies	\$49,800	paid 5,200 in 1999
Other Current Liabilities		
Total Current Liabilities:	\$49,800	
Long-term Liabilities		
Debt (Building)	\$84,151	less 8,364 paid in 1999
Other Long-term Liabilities (Equipment)	\$83,000	less 15,068 paid in 1999
Owner's Subordinated Debt	\$8,500	
Total Long-Term Liabilities:	\$175,651	
TOTAL LIABILITIES (B)	\$225,451	
OWNER'S EQUITY (C)	\$62,461	
Beginning Equity	\$5,999	
Net Income (Loss)	\$56,462	
Ending Equity	\$62,461	
Liquidity Ratios	Ratio	
Current Ratio	1.76	87,456/49,800
Quick Ratio	1.25	(87,456-25,000)/49,800
Working Capital	\$37,656	87,456-49,800
Capital Structure Ratios		
Debt to Equity	3.61	225,451/62,461

For proprietary reasons, information found in the Appendix Section of this plan has been deleted.

Appendix Information included:

Resumes on the primary owners

Land and building layouts

Supplier information

Personal financial information

Thank you for reading the Butterfly World, Inc. Business Plan.

